

EXHIBIT B

October 5, 2003

Mr. Patrick Murray
Director of Logistics
Royal Doulton Ltd
Sir Henry Doulton House
Forge Lane
Etruria, Stoke-on-Trent
ST1 5NN United Kingdom

Dear Patrick:

As per our last discussion, I am forwarding to you our proposal on rates. In summary, there are many account characteristic changes that have driven our costs to unprofitable levels and our rates should increase, not decrease. We therefore are unwilling to provide cost reductions based on lower volumes until we get agreement on RD paying for these account characteristic changes. Furthermore, our rates were based on certain expectations of volume for which RD received a lower markup that would only be appropriate for higher volumes. If we will be continuing under lower volumes, we will need higher mark-ups.

Clearly, both Schenker and Royal Doulton are extremely frustrated at the ongoing cost disputes which often take a great deal of time and focus away from customer service and meeting your end customer needs. It is extremely demotivating for all involved, and obviously, we want to maximize motivation, a common goal for all business practices.

We therefore are proposing to revise the contract to a cost+ contract. Schenker has cost+ contracts on most of our contracts and the cost + relationships have proven to be very good relationships. The advantages are the following:

- All parties could focus time and resources on customer service rather than arguing over costs on a daily basis.
- There would be an open book environment where we all know the true costs of the operation and each party can get a reasonable return.

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- Gain sharing can be implemented to provide additional incentives.
- We can create a true team where both parties feel the relationship is mutually beneficial and people do whatever it takes to get the job done.
- A cost plus structure requires minimal returns.
- Account characteristic changes are not argued over continually and solving the customer's needs is the sole focus.

You may feel that the disadvantages include that if Schenker is inefficient, RD assumes all costs of that inefficiency. There are gain-sharing mechanisms that can aid in this concern.

We clearly are going in circles and not resolving this problem. Our differences of opinion on account characteristics changes are great and it seems neither party is willing to change their opinion. We have the opportunity to solve this with cost+ pricing and put these issues to rest. Let's do it and make our working relationship, costs, and customer service something we all are happy with!

If you agree that this is in everyone's best interest, we are willing to meet face to face to iron out these changes and to move forward to this new relationship. If you do not find it suitable, we of course will continue to strive to meet your needs but need to ensure you are paying what is owed to Schenker for account characteristic changes. The following exhibit provides a partial list of scope changes which is not all-inclusive and for which we will need to commence billing.

Yours Truly,

Richard Falk
President & COO
Schenker-CCW

Confidential

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Account Characteristic Changes from Contracted Scope

The following is what Schenker views as account characteristic changes from the contractual account characteristics. These should not be viewed as all-inclusive:

1) Inbound Receipts.

The inbound containers take five fold the normal processing time as a result of the multiple sku's in trays and pallets and not having them presorted upon arrival. We incur the significant extra costs related to sorting these.

We have seen much improvement in the elimination of inbound discrepancies. We continue to have to make certain corrections, which lengthens the time to process a container. These include labels, product consolidation, and mispacks.

2) Special Request.

The nature of the business and the inconsistency of product receipt require RD to make adjustments with orders ongoing to maximize their sales each month. As an example, just in September, RD made a last minute decision around 9/19 to pull a HSN order from November into October so as to increase sales to meet their forecast. This is good that RD can adjust but it requires distribution to react and incur significant overtime. The changes also normally occur in the last week of a month, which is the "busiest" of the month.

The HSN project, due to the method of receiving the orders and labels, results in the warehouse processing the orders with "temp" labels. After completion, we are able to obtain labels from HSN which results in double handling orders and re-palletizing, taking up valuable dock space, and extra labor.

Inbound containers are "inconsistent" on arrival to the warehouse and can result in overtime due to receiving product to fill back orders. This too occurs at the end of the month.

Product received may have bar-code labels missing, or even packed incorrectly, which requires the warehouse to correct.

3) Space Requirements.

We are in an overflow situation today due to many varied reasons: "aged product" (over 115,000 pieces have not moved since start-up); change of product cube (we are seeing an increase in cridge type product that requires more storage than the small tray units); packing materials with excess quantities and some outdated material; excessive space is required to receive and break-down an inbound

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container for put-away due to product not being pre-sorted; customer returns and quarantine space requirements take excessive space because we are having to carry the returns longer.

There are a various numbers of other reasons that result in space issues. HSN orders, once completed, require storage until pick-up. A recent order required approximately 10,000 sq. ft.

4) Re-packaging of Unstable Product.

We experience receipt of various products from RD that are susceptible to "breakage" if we ship in the original package, e.g. OCR wine goblets, OCR tea cup/saucer, etc. We make the decision to repackage as needed or required based on our quality checks and drop test. RD should support the additional labor cost required to double handle this product. Ongoing we need to work as partners to improve packaging so as not to require such task.

5) Chargeback Task.

Schenker should not be paying chargebacks for items which we are not given immediate notification of the problem. To wait 3-6 months for the notification of a problem means we are not given the immediate opportunity to correct the problem. We can not be asked to pay for these costs as a result of other problems in the supply chain. 7.

Furthermore, the task requires at least 50% of a person due to the level of research required to identify "root cause" and corrective action. Much of the time to analyze is a result of not getting instantaneous feedback on the chargebacks and the extra associated time to go back and research.

6) Outbound Orders

Units per order are less than 1/2 of what was contracted. This obviously creates significantly more time and labor costs to pick on a per unit basis.

7) Cross-Docking.

This task requires receipt of product, offloading, rehandling, and reloading for outbound. We are not getting throughput credit for handling.

8) Wage Increase.

We have needed to increase base wages due to becoming non-competitive in the local area. We are experiencing high turnover due to our current wage structure.

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Insurances and other operating costs have gone up a minimum of inflation and we need to be reimbursed for these increases.

9) **Packing Material Procurement.**

We currently manage the procurement of all packing materials, involving working with the vendors, getting the best pricing and obtaining the best quality of materials. Although the packing material cost is a past through to RD, it requires time and effort to assure we are maintaining the standards that RD requires. We do not believe procurement is part of the scope.

10) **IT Upgrades.**

We continue to have needs for IT upgrades to adjust to different requirements created by Royal Doulton's customers. The cost of these upgrades is being borne by the operation and RD needs to pay for them.

EXHIBIT C

THE
ROYAL DOULTON
COMPANY

Richard Falk
President & COO
Schenker-CCW, Inc.
801 Warehouse Street
Greensboro
NC 27405
U.S.A.

13th October 2003

Dear Richard,

Thank you for your letter dated 5th October 2003, in which you have suggested that we revise the contract to a cost+ arrangement. Although you suggest various advantages, Royal Doulton is not willing to change from the current fixed price contract, and has no future intention to enter into any cost+ arrangements. We still believe that a fixed price contract, designed to process 8,000 units per day, should be possible with a lower level of variable labour than you currently employ, resulting in a lower charge to RD.

However, it is clear to RD that ~~the~~ Schenker are not operating to the levels of efficiency originally envisaged by Andrew Dancescu – as a reminder, these were:

Picking: an average pick rate of 240 units/hour, with up to 8 scanners would give 1,920 units/hour x 8 man-hours = 15,360 units/day.

Packing: a packing rate of 90 units/hour, using 16 pack stations would give 1,440 units/hour x 8 man-hours = 11,520 units/day.

It was also assumed that 60% of the month's volume would be processed during the last two weeks, resulting in a peak throughput of 70k units/week. These calculations seem perfectly reasonable, but do not appear to be achievable within the current set-up. As a result of an audit of the operation by our Group Financial Controller in March 2003, Shaun Davies undertook a more detailed evaluation of the systems and procedures. Shaun is one of our most experienced warehouse managers and suggested that various measures be taken to improve efficiency. Some good progress has been made, particularly in the areas of Stock Accuracy and Returns. Also, RD has modified its container file transmission to speed up receiving and introduced more QA checks in the UK, prior to despatch. However, the three main areas where efficiency gains can be made do not appear to have been addressed:

- RF technology for picking is still not in operation;

- HTS functionality with regards to put away and storage continues to have a negative impact on space utilisation and efficiency (e.g. like items spread throughout the warehouse can increase the number of picks);
- We are not aware of any changes made to speed up the end of day processing or the running of the reservation scripts/pick sheets.

It is also understood that the packing process on HTS is very cumbersome and time consuming. There continues to be system issues, such as incorrect UPS tracking numbers being assigned to orders, shipped orders being deleted and not confirmed back to RD for invoicing and a specific issue with shipping orders via UPS, for the same customer, to various DC's, but putting them all on the same bill of lading number! Although various physical infrastructure changes have been (and are being) made, the major improvements to the systems that Patrick Archbold was requested to deliver do not seem to have been realised yet.

I therefore have to take the position that Schenker have not yet developed the warehouse and systems necessary to process even 60% of the anticipated volumes in a smooth and efficient manner. It is concerning that Schenker insist on suggesting that "account characteristic changes" are the primary reason for this, rather than focussing on solving and removing current processing inefficiencies. The nature of RD's warehousing business has not changed significantly since Schenker tendered for the business and we were under the impression that the perceived changes were discussed and resolved by the sub-team in the UK, some 7 weeks ago (see Ian's notes attached). However, I will address your points in turn:

1. Inbound Receipts:

You appear to under the impression that every individual piece would be in it's own tray (or even pallet!). If this were the case, we would probably ship two containers for every one! I am aware that Andrew Dancescu and Frank Woeste would have witnessed receipt of containers during their research time in Somerset, and prior to go live in Indy, we implemented various systems changes to reduce the amount of sortation required, as follows:

- Order consolidation: when stock is received from our factories into our main DC, it often fulfils numerous US purchase orders. Rather than process these individually, the orders are consolidated and picked together - this reduces the chances of like items being spread throughout a container;
- Rounding up of DRP order quantities to tray quantities: we have attempted to increase the incidence of full trays being picked and shipped to the USA by rounding up a DRP (automatically generated) purchase order requirement to a full tray quantity - this happens where the DRP quantity is more than 50% of a standard tray quantity and that tray quantity is forecast to be consumed within 3 months.

We have also modified the file transmission for UK containers from its original format (requested by Schenker to comply with HTS) - it is now at

a more simplified level and has decreased the time taken to receive a container. Given all of the above, the presentation of containers is far better than was being processed in Somerset. We have also increased our UK resource levels in the QA department to successfully reduce the error rate (N.B. Schenker reported a 99.9% accuracy rate in August, from all supply points).

As agreed by the sub-team in the UK, any specific receiving issues will be dealt with on a re-work quote basis (see attached "Accuracy of UK containers").

2. Special Requests:

RD operates in a fast-moving Retail environment, which is also, I believe, the type of market that Schenker USA wished to gain entry with the RD business. The nature of the requests that you mention are simply a characteristic of the Retail environment within which we have always operated. Again, Schenker was aware of this from the outset (note the assumption of 60% of the month's volume being processed during the last two weeks). With regards to the inconsistencies of receipt arrivals and the month-end peak, please refer back to the sub-team notes attached. With regards to HSN, please refer to the e-mail from Ian Hammond, dated September 29th 2003 (also attached).

3. Space Requirements:

I will deal with your comments individually:

- Aged Product: please refer back to the sub-team notes attached ("Inventory Turnover");
- Change of Product Cube: you are being selective – we have many product groups (e.g. Crystal, RD Bone) where volumes of similar cubed product have declined. Overall, RD's stocks at the end of September 2003 were at about 1.2m pieces, the same as at the end of February 2002, when Schenker specified the space requirements. In addition, the two spreadsheets attached demonstrate that the space available is still not being utilised effectively:
 - i. "Item in Flow Racks & Bins 10-13-03": just by scrolling down this list, you can see that there are many items where the stock should be consolidated into considerably fewer locations – each of the location records should represent an individual storage tray. This has been repeatedly pointed out to Schenker management since October 2002 and was formerly documented in Shaun Davies' report as one of the key issues affecting space utilisation and picking efficiency – clearly, this is still a problem;
 - ii. "A & B Items in Small Bins 10-13-03": again, this demonstrates the HTS storage functionality problem – these are fast moving items, which are currently stored in the small bins by the breakout area. These should only store slow moving items.

Please also refer back to the sub-team notes ("Increase in vendor shipments"), which addressed this issue.

- Packing Materials with excess quantities: Jeff Kennison ordered the majority of these in March 2003, without any authorisation from RD (as requested). Due to Schenker not having set-up a local supplier, they were sourced from RD's previous supplier in New Jersey and trucked to Indianapolis at RD's expense;
- Excessive space required to receive and break-down an inbound container: see #1 above – Schenker specified the space, having witnessed receipts being processed before the improvements were implemented;
- Customer Returns and Quarantine: I was under the impression that the warehouse were up-to-date with Returns;
- Storage of HSN orders until pick-up: all warehouses must expect peaks and overflow situations from time to time. I believe that Andrew Dancescu's original space calculations had built in a 10% safety allowance above 57.5k sq. ft., but this appeared to have been removed prior to the final tender being submitted – this was discussed during the sub-team meetings in the UK (re. "Increase in vendor shipments").

4. Re-packaging of Unstable Product:

Again, if you refer back to the sub-team notes ("Additional packaging"), it was agreed that Schenker should provide a re-work quote to RD, which if acceptable to RD, can be charged on a per unit basis on the monthly re-charge invoice. We are already working as partners to improve specific packaging issues, e.g. a new box design for the Collectable teas is currently in production in the UK, and a new 5-piece box is in the final stages of re-specification.

5. Chargeback Task:

RD also share the same level of frustration and this would not be an issue, had more attention to detail been applied by the implementation team, to vendor compliance manuals and routing guides. Our credit manager in Toronto, Janet Jackson, has spent the last 9 months full-time on these issues and has genuine difficulties obtaining the required back-up details from our customers. The delay can also be caused by RD not knowing about the chargeback until the relevant invoice is paid, about 60 days after the shipment and error were made.

You mention chargebacks relating to other problems in the supply chain – these are directed to the appropriate areas with RD and are not passed to Schenker for review. Therefore, under the terms of our agreement, Schenker will be asked to pay for any amount due, irrespective of the age of the chargeback.

6. Outbound Orders:
I'm not sure where you got your data from, but the attached spreadsheet ("Shipment Statistics 2003") shows that the average units per order processed through the warehouse September YTD was 22 - this is compared to the contracted level of 25. As you would expect, the average during the quieter summer months is not as high, but the month of September was at 25 and I would expect the year to average out at that level. Again, please refer to my earlier comments with regards to the efficiency of the operation.
7. Cross-Docking:
I would not expect you to get throughput credit for moving pallets and trays of product from one vehicle to another (via the despatch dock). However, I have instructed our planning department to cease placing cross-dock orders for Best product, so there should be a significant decrease in this type of activity. In order to avoid confusion within the Indy warehouse, Seconds product must continue to be cross-docked.
8. Wage Increase:
Although the contract charges RD labour at \$16 per hour, it is disappointing that Schenker implemented a non-competitive wage structure, in relation to the local area. The high level of staff turnover is also of great concern to RD, and has no doubt contributed to the poor levels of service that our customer's have endured throughout the last 12 months (although it is noted that during the last 6 months, improvements have been made). RD is also pleased that you have increased your base wage, but I feel that efficiency improvements and the lower level of throughput should accommodate this.
9. Packing Material Procurement:
Please see the attached Invitation to Tender ("Tender Letter"), which was issued to all of the 3rd party providers who tendered for the RD business. Item 3.3.4 clearly states that it is an obligation of the contractor to "source, purchase and maintain the necessary level of stocks of transit packaging, which must be suitable for the delivery of fragile products".
10. IT Upgrades:
The majority of upgrades to HTS have been for items that were not done correctly during the implementation phase and also to improve the integrity of data transfers. As mentioned before, the attention to detail paid to vendor compliance requirements was extremely poor and both RD and Schenker have paid for these errors over the last 12 months. I will again refer you to the Invitation to Tender, section 3.4, which speaks to "customer specific" and "vendor compliance" requirements, which have just not been properly understood or adhered to. I am not aware of any major changes to our customer's requirements, during the last 12 months

and it is Schenker's responsibility to provide the system to meet any such requirements.

I would also like to point out that the costs of modifying HTS to suit the Retail sector should not be wholly attributed to the RD operation – we were clearly given to understand that the Schenker aspiration was (and is) to develop a full capability to service the demanding needs of the USA Retail sector. Indeed, Schenker has developed this expertise essentially at RD's expense. Schenker now has an in-house WMS capable of meeting the sophisticated requirements of all of the USA major Retail groups. The cost of developing this expertise should absolutely not be loaded onto the RD contract. We are also concerned that Schenker do not appear to have successfully leveraged this new expertise and capability to both of our company's advantage.

I do not accept that there have been any significant changes to the characteristics of the RD account and that Schenker management should concentrate on improving internal efficiency and getting on with the job that RD is paying them to do.

I do not fully understand your "lower mark-up" argument, but I interpret it as an "economy of scale" rationale. As such, since RD pays Schenker the fixed costs of the operation, it is not applicable – lower (or higher) throughput requirements should be met by flexing your variable costs. You have previously stated that if RD's volumes were to increase by 30%, that you would expect to charge more, and it now appears that you also wish to do the same based on a volume decrease!

Whilst RD still require a contract rate reduction, on the basis of lower volumes, it is also recognised that Schenker will incur additional costs due to a wage increase and investment in new racking and packaging technology. However, the lower volumes should compensate for these increases and therefore I am unable to authorise payment of any additional charges.

We will need to refer this matter to the most senior level of both companies and I will speak to Patrick Moebel with a view to arranging an executive review, to include Dr. Lieb from the Schenker main board.

Yours sincerely,

Patrick Murray
Director of Logistics

EXHIBIT D

Don Stubbs - Schenker Mtg Feb 17th

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From: Ian Hammond
To: Bylin, Arthur ; Hickey, Tom; Stubbs, Don
Date: 2/18/04 2:25PM
Subject: Schenker Mtg Feb 17th

Please find attached some notes from yesterday's meeting, put together from what we were able to write down during the presentation. We have also added a "Suggested" budget column to the Schenker Costs spreadsheet. Also attached is a letter from Patrick to Heiner, which has been posted today.

Regards,

Ian

CC: Murray, Patrick

THE
ROYAL DOULTON
 COMPANY

Notes from the
ROYAL DOULTON/SCHENKER REVIEW MEETING
Toronto, FEBRUARY 17th 2004

- Schenker stated that:
 - there was no change in their overall strategy, however their belief now is that the contract was not set-up correctly, i.e. that a fixed price contract is not suitable and that a shared user concept is not applicable to RD's business;
 - the complexity of RD's business and the US Retail market was under-estimated – this fact and the "closed book" arrangement has resulted in our interests not being aligned;
 - vendor compliance requirements keep coming "out of the blue";
 - we now had a different perception of the contract;
 - units are not clearly defined – loose dishes are more labour intensive than packs;
 - the fact that contractual volumes have not been achieved, has resulted in an ineffective processes;
 - they wish to have an "open-book" contract with total transparency;
 - they need to deal with the profitability issue and the prior year's shortfall;
 - their accounts could look as follows (Heiner did say that the format and content of this table will be revised):

	2003	2004
Profits/Loss (warehouse costs)	(128)	44
Contribution to corporate overheads	(210)	(210)
Credits (chargebacks & agency)	(183)	0
LOSS ON OPERATION	(521)	(166)
Change of Scope Labour	350 (10 FTE's)	210 (6 FTE's)
Change of Scope Storage Requirements	118 (22,000 sq. ft.)	86 (16,000 sq. ft.)
PROFITS AFTER ADJUSTMENTS	(53)	130
SHORTFALL (vs. expected profits of \$350k)	(403)	(220)

SCHENKER COSTS

	<u>Actual 2003</u>		<u>Contract</u>		<u>Suggested</u>
	Ops	\$000's	Ops	\$000's	\$000's
<u>Personnel:</u>					
General/Project Manager	1	125			0
Operations/Warehouse Manager	1	55	1	78	80
Lead Hands	2	90	2	125	90
Clerical	1	35	1	42	35
Order Analyst/I.T. support	1	35	1	31	35
Customer Returns	1	35	1	42	35
<i>Management & Staff</i>	<u>7</u>	<u>375</u>	<u>6</u>	<u>317</u>	<u>275</u>
Quality Assurance	2	90			
MHE Operatives	7	280			
Pickers	5	200			
Packers	10	300			
<i>Operatives</i>	<u>24</u>	<u>870</u>	<u>27</u>	<u>899</u>	<u>650</u>
Seasonal & O/T	8	190	6	225	200
TOTAL PERSONNEL	<u>39</u>	<u>1,435</u>	<u>39</u>	<u>1,440</u>	<u>1,125</u>
Rent (incl. Elec, Lighting, Heating, etc.)		322		282	320
Material Handling Equipment		60		32	60
Other (Travel, Insurance, Office, Stationery, etc.)		137		19	25
Depreciation and Interest		<u>136</u>		<u>129</u>	<u>130</u>
TOTAL		<u><u>2,090</u></u>		<u><u>1,903</u></u>	<u><u>1,660</u></u>
Profit Margin (12%)					200
Contribution to Overhead					<u>100</u>
					1,960
Remove 6 operatives					<u>-160</u>
REVISED CONTRACT VALUE					<u><u>1,800</u></u>

EXHIBIT E

THE
ROYAL DOULTON
COMPANY

Heiner Murmann
President & CEO
Schenker, Inc.
3210 Airway Drive
Mississauga
Ontario
L4V 1Y6

18th February 2004

Dear Heiner,

Thank you for your hospitality at yesterday's meeting. We appreciated your patience whilst we dealt with various phone calls. Your presentation was very interesting and it was a constructive meeting. We hope that we now have agreement on a way forward to arrive at a mutually satisfactory resolution of our differences.

To confirm our understanding on the actions from the meeting:

- Schenker will propose a suitable format for an "open-book" relationship (not "cost-plus") – this will be forwarded to Royal Doulton by March 1st 2004;
- Schenker and Royal Doulton will both appoint an appropriate person to participate in a joint team, which will examine further opportunities for operational efficiencies and cost reductions – this will include a full review of all the costs of the Indianapolis operation. I can confirm that the Royal Doulton person to participate in this process will be Ian Hammond.

With reference to the information presented by you yesterday, it was noted that your cost schedule included a General Manager (presumably John Richardson). We have always assumed that John's role would be a temporary measure. Additionally, the Operations Manager was intended to be a more senior person, with experience of managing a \$2m budget and a demanding customer oriented warehouse facility: consequently this person would be more highly remunerated.

When John's assignment ends, this should yield considerable net cost reductions (including his associated living expenses), probably in the region of \$150k. However, Heiner, I would be concerned to see John leave before a suitable senior appointment is put in place.

We do need to urgently discuss the anticipated cost base for the operation, including the overhead contribution and profitability targets and I look forward to receiving the details of your proposals, as discussed.

Yours sincerely,

Patrick Murray
Director of Logistics

EXHIBIT F

From: Patrick Murray
To: rfalk@ccwgroup.com
Date: 3/2/04 7:32AM
Subject: RE: Follow Up to Schenker-RD 2-17-04 Meeting in Toronto

Richard

Thank you for the note.

Whereas I agree that you have stated that there have been "account characteristic" changes on many occasions and that your statements have been documented, it is not the case that you have ever put forward a cogent and rational explanation of these factors and their relationship to your inability to efficiently run the Indianapolis facility to its design specifications.

The only significant "account characteristic" change that I believe is factually supported is that Royal Doulton's volumes throughput is significantly below expected levels. Since we cover the fixed cost elements of the facility, this "account characteristic" change indicates a rate reduction, not this unfounded increase that you are seeking. In effect you are asking Royal Doulton to even further subsidise your failure to operate to your own design specifications.

Schenker's numerous failures in this regard have been a serious cost burden to Royal Doulton. I am now coming to the point that I too must seriously consider ways and means whereby Royal Doulton can recover the costs and losses incurred through Schenker's inability to perform in line with their commitments and promises made to us.

I have not agreed that I am prepared to "take over" the operation of the facility from you or to agree that it be moved to some 3rd party. I will consider your proposals in this regard - however these will not get anywhere if they entail extra payment by Royal Doulton to Schenker. Please consider this carefully - Schenker do still have contractual obligations.

I look forward to seeing your handover or transfer proposal. In the meantime, and for the absolute avoidance of doubt, there will be no increase in the payment levels.

Patrick Murray

Director of Logistics

>>> richard.falk@schenker-ccw.com 3/1/04 9:47:14 PM >>>
Patrick,

We regret that you do not seem to be in agreement with our proposed methodology as proposed in the meeting in Toronto and confirmed in our email on February 22nd.

As stated and documented numerous times, there have been numerous account characteristic changes by RD that have affected our costs tremendously. The changes in account characteristics represent additional cost to handle your business that we estimate in excess of \$400,000 per annum.

In the event we can not reach common ground and a viable path forward, we would be prepared to assist Royal Doulton to transition the Indianapolis operation to yourselves or another provider. We would also be open for Royal Doulton or another service provider taking over the lease, equipment and personnel to minimize service disruption and costs.

Under this scenario, Schenker would seek recovery of losses resulting from the aforementioned changes in account characteristics.

Patrick, our preference is to go forward and create a mutually beneficial relationship with Royal Doulton. We hope to resolve our issues as quickly as possible. To deal with the changes of account characteristics, we will bill an additional \$16,666 per month to your account. Our offer to set up a joint improvement team remains available.

We look forward to hearing from you at your earliest convenience.

Richard Falk
President & COO
Schenker-CCW, Inc.
801 Warehouse Street
Greensboro, NC 27405
(336) 273-3465 ext. 583 fax (336) 271-2084
richard.falk@schenker-ccw.com
www.schenker-ccw.com or www.schenkerusa.com

-----Original Message-----

From: Patrick Murray [<mailto:PMurray@royaldoulton.com>]
Sent: Monday, February 23, 2004 5:31 AM
To: rfalk@ccwgroup.com
Cc: Don Stubbs; GEOFF MARTIN; Ian Hammond; Arthur Bylin; Tom Hickey; Heiner.Murmann@schenker.ca
Subject: Re: Follow Up to Schenker-RD 2-17-04 Meeting in Toronto

Dear Richard

Thank you for the communication. We too found Tuesday's meeting interesting and informative. We are looking forward to receiving a copy of the presentation as discussed - after the corrections (that Heiner referred to) have been made.

In the meantime you absolutely should note the following:

There is as yet no "new agreement" - from March 1st or from any other date. So we will not accept unilateral increases to the billing rate.

Simialry, I cannot accept a unilateral change to the chargeback situation: we will certainly inform you of chargebacks within 1 month of our being made aware of them.

Both of these are key points to our commercial arrangements and any changes will (as I understand our discussions from last Tuesday) be bilaterally agreed through the mechanism of the "joint team".

I am happy to discuss all of this further with you, or Hans, or Heiner as appropriate and at your earliest convenience.

Regards and best wishes

Patrick Murray

Director of Logistics

>>> richard.falk@schenker-ccw.com 22/02/2004 15:39:37 >>>
Dear Patrick,

We would like to thank you, Art, Tom, Don, and Ian for meeting with our team on Tuesday. We look forward to a mutually prosperous relationship going forward.

Schenker is committed to further enhancing solutions by creating a joint team to create a mutually agreed upon base budget and identify further opportunities for storage, productivity, and quality enhancements while driving costs out of the supply chain. Schenker will nominate Hans Linicus as a key member of the team given his familiarity with the project as well as the software and process initiatives already being worked on by his material handling team members.

As stated in the meeting, the relationship is currently not viable for Schenker USA. To make this a true partnership and one that Schenker USA can justify as a relationship going forward, the following will need to be the key components of a new agreement as of March 1:

- * We will need to cut our losses immediately and accordingly commence monthly billing March 1st of an additional \$16,666 monthly, \$200,000 annually.

- * We will provide an open book and, based on the mutually agreed upon base budget, create a target that gives Schenker 15% above costs based on the agreed budget.

- * Schenker must be reimbursed for all direct costs.

- * Schenker will only charge for overhead and profit once mutually agreed upon intermediate and end improvement targets are achieved.

* After the 15% is achieved, Schenker and RD would share 50/50 any cost savings.

* With the significant delay in chargeback notices, we are not giving the opportunity to quickly fix deviations. We therefore will assume all chargeback liability for which we jointly conclude is Schenker's responsibility over the current threshold as long as we are notified within one month of the chargeback occurrence.

We look forward to quickly implementing the joint team and the revised agreement by March 1.

Richard Falk

President & COO

Schenker-CCW, Inc.

801 Warehouse Street

Greensboro, NC 27405

(336) 273-3465 ext. 583 fax (336) 271-2084

richard.falk <<mailto:richard.falk@schenker-ccw.com>> @schenker-ccw.com

<<http://www.schenker-ccw.com>> www.schenker-ccw.com or
<<http://www.schenkerusa.com>> www.schenkerusa.com

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CC: Bylin, Arthur ; Hammond, Ian ; Heiner.Murmann@schenker.ca; Hickey, Tom;
MARTIN, GEOFF; Stubbs, Don

EXHIBIT G

From: Graeme Watson [graeme.watson@schenker.com]
Sent: Thursday, May 26, 2005 8:43 AM
To: 'Tom Hickey'
Cc: 'John Richardson'
Subject: RE: RD Retention

Hi Tom,
The cost of retention at Indianapolis is approximately \$18,000. John had provided this to me last week and I had assumed he had also sent it to you, but upon checking he had not, so my apologies. Please confirm that you want to go ahead on this basis before say 31st May, as it is our intention to announce on 2nd June and to be able to share this information with employees at that time. Thanks Graeme

Graeme Watson
Vice President Logistics Operations
Schenker Logistics, Inc.
336-273-3465 x582
graeme.watson@schenker.com
www.schenkerlogisticsusa.com or www.schenkerusa.com

-----Original Message-----

From: Tom Hickey [mailto:THickey@RoyalDoultonUSA.com]
Sent: Thursday, May 19, 2005 1:21 PM
To: Graeme.watson@schenker-ccw.com; john.richardson@schenker-ccw.com;
graeme.watson@schenker.com
Cc: Don Stubbs
Subject: RE: RD Power Point

Graeme,

Are you planning to offer this bonus plan to everyone or just the key people. Can you tell me what this equates to in dollars, even if it is a projection.

Thanks,

Tom

>>> "Graeme Watson" <graeme.watson@schenker.com> 05/19/05 11:39AM >>>

Hi Tom,

Attached is the start of a bullet point action plan in connection with Indianapolis. We would like to make the announcement on 2nd June and John and I will complete that. It is after month end, gives people the Thursday PM and Friday to talk about it and is during one of the quietest periods of the month and year. We would propose to offer a retention bonus of one weeks pay per year of service to stay until the closure of the site or until a date determined by the Company prior to that date as needed. Any individual who leaves prior to that date without the Company's consent would not be eligible for any payments. I know there is a cost associated with this, but it would help protect your business to the end and save on training costs for any replacement employees etc. Let me know your thoughts.

Graeme Watson
Vice President Logistics Operations
Schenker Logistics, Inc.
336-273-3465 x582
graeme.watson@schenker.com
www.schenkerlogisticsusa.com or www.schenkerusa.com

-----Original Message-----

From: Tom Hickey [mailto:THickey@RoyalDoultonUSA.com]
Sent: Monday, May 16, 2005 5:42 PM

To: Graeme.watson@schenker-ccw.com; john.richardson@schenker-ccw.com
Subject: RD Power Point

Copy of presentation I handed out today.

Tom

EXHIBIT H

From: Tom Hickey [THickey@RoyalDoultonUSA.com]
Sent: Thursday, May 26, 2005 9:54 AM
To: Don Stubbs; Arthur Bylin
Subject: Fwd: RE: RD Retention



RE: RD Retention

**** High Priority ****

Don & Art,

Attached is a request from Graeme Watson (VP Schenker Operations) for funding to offer a retention bonus for the warehouse workers. He is requesting \$18K which I understand is one weeks salary for the warehouse employees. He would like a response from us prior to the announce to the employees in Indy next Thursday. I told him I would ask. This would guarantee everyone staying on until the facility closes if everyone accepts.

Tom

EXHIBIT I

From: Tom Hickey [THickey@RoyalDoultonUSA.com]
Sent: Tuesday, May 31, 2005 12:23 PM
To: Graeme Watson
Cc: Don Stubbs; 'John Richardson'
Subject: RE: RD Retention

Graeme,

I reviewed this request with Art Bylin (President) and Don Stubbs (VP Finance). They have given the go ahead to support the offer, approving up to \$18K. Let me know once you have more details behind the offer.

Thanks,

Tom

>>> "Graeme Watson" <graeme.watson@schenker.com> 05/26/05 09:43AM >>>

Hi Tom,

The cost of retention at Indianapolis is approximately \$18,000. John had provided this to me last week and I had assumed he had also sent it to you, but upon checking he had not, so my apologies. Please confirm that you want to go ahead on this basis before say 31st May, as it is our intention to announce on 2nd June and to be able to share this information with employees at that time. Thanks Graeme

Graeme Watson
Vice President Logistics Operations
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To: Graeme.watson@schenker-ccw.com; john.richardson@schenker-ccw.com;
graeme.watson@schenker.com
Cc: Don Stubbs
Subject: RE: RD Power Point

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Graeme Watson
Vice President Logistics Operations
Schenker Logistics, Inc.
336-273-3465 x582
graeme.watson@schenker.com
www.schenkerlogisticsusa.com or www.schenkerusa.com

-----Original Message-----

From: Tom Hickey [mailto:THickey@RoyalDoultonUSA.com]
Sent: Monday, May 16, 2005 5:42 PM
To: Graeme.watson@schenker-ccw.com; john.richardson@schenker-ccw.com
Subject: RD Power Point

Copy of presentation I handed out today.

Tom

EXHIBIT J

Hi Don,

I understand that you ~~will~~ will be moving your business into Wedgewood's New Jersey facility at the expiry of the current contract. We fully understand your decision and are committed to working with you to ensure this process is as smooth and seamless as possible. Graeme Watson and John Richardson have already been in planning discussions with Tom Hickey on a transition and move out plan.

As part of this process, and in light of the fact that Schenker recently agreed to sign over all lien rights against your inventory, it will be important that the invoicing and payment process be adjusted and aligned with the transition. Therefore, as we begin the final three months of the contract we require the following:

1. The current outstanding receivables of \$375,502.50 be fully paid by June 15th.
2. To ensure that we can continue to pay for the cost of the facility, people and equipment required to handle your business, we will start processing 30 day advance invoicing and will require expedited payment (within 15 days) until the end of August. This will ensure that we have the money to pay for the costs of the operation before they are incurred.
3. Once the planning team has determined the final operational and administrative closing costs we will prepare a separate invoice to be paid by July 15th.

We wish you all the best in the new ~~facility~~ facility and hope that your relationship with Wedgewood brings your organization great success.

Best regards,

< DIV>

Eric Dewey

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EXHIBIT K

June 10, 2005

Mr. Eric Dewey
Schenker, Inc.
Corporate Office
150 Albany Avenue
Freeport, NY 11520

Re: Your e-mails dated June 1, 2005 and June 9, 2005

Dear Eric,

In response to your e-mails dated June 1, 2005 and June 9, 2005, we have taken the following steps:

1. On June 9, 2005, we wired transferred \$279,268.22 to Schenker. The breakdown of the amount is as follows:
 - a) \$69,564.49 was for invoices that were over 15 days old, as indicated in an e-mail dated May 31, 2005 from Kevin Oliver in your Financial Services department, plus some other charges not on the statement.
 - b) \$209,703.73 was in payment of the May statement for Logistics services, as shown on your May 31, 2005 invoice, less the \$16,666 "Value Added Services".
2. I have submitted for payment the amount of \$63,270.58 which represents the remaining invoices listed on the May 31, 2005 statement from Kevin Oliver, as they are now or will be 15 days old.
3. In addition, I have submitted for payment the amount of \$219,489.00 which is the June advance billing, less the \$16,666 "Value Added Services".

The wire transfer for the amounts in points 2 and 3 above will occur on June 16, 2005.

As you will note, we have acceded to your proposed "advance billing" procedure as a token of our good faith, notwithstanding the absence of any contractual basis therefor. Compare Clause 22.2 of our Warehousing and Distribution Service Agreement (the "Agreement").

I trust that, with respect to the remaining two items identified in your June 1, 2005 email (closing costs and value-added services), you will exhibit similar good faith. For example:

A. Closing Costs. Consistent with Clause 22.5 of the Agreement, you will provide to us for our "acceptance" a "quotation [not an invoice] relating to the additional services" required in connection with "final operational and administrative closing" matters and in that "quotation" you will identify each of these "additional services" and the charge associated with each such service.

B. Value-Added Services. Consistent with Clause 23.2 of the Agreement, you will provide to us "effective evidence" of the "increases" that you claim to have incurred in your "cost[s] of operation" and will reasonably demonstrate to us that "all possible action has been taken [by you] to offset these [cost] increases". Once we have received this information, we will be more than happy to discuss with you an appropriate increase in your Contract Rates.

As you well know, we have never taken the position that you are not entitled to Contract Rate increases upon an appropriate demonstration of unavoidable cost increases. What we have objected to is your unilateral invoicing of increases in Contract Rates, an approach which we find to be markedly inconsistent with the cooperative procedures and good faith negotiations contemplated by our Agreement.

C. Volume-Related Rate Adjustments. Consistent with Clause 23.1 of the Agreement, we would expect that, in demonstrating the unavoidability of your increased costs, you would take into account the substantial reduction in our Product volumes, a circumstance which, pursuant to Clause 23.1, we have previously brought to your attention.

We appreciate your efforts in facilitating a smooth transition of our warehousing and distribution operations into the Waterford Wedgwood New Jersey facility. Our continuing discussions should not derail the smooth transition which is already underway.

Yours sincerely,

Don Stubbs
Vice President, Finance